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Editorial: The economic effects of COVID-19 on African economies

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As economies across the globe continue to grapple with the after-effect of the Coronavirus (COVID-19) pandemic shocks, it has become imperative to assess the effectiveness of the measures implemented by different economies in addressing these shocks. Also critical is the need to look at socioeconomic and financial markets data to provide empirical and theoretical evidence on how various economic agents reacted to these shocks. Therefore, the eight articles in this Special Issue aim to focus on these ever-pressing needs.

The first article looks at how the returns on two major cryptocurrencies, specifically Bitcoin and Altcoins, reacted to the COVID-19 pandemic shock and how they could both serve in designing currency hedging strategies. In employing an event study approach, Mathew Abraham provided evidence to show that the abnormal returns on Bitcoin and Altcoins were negative, and the high correlation between the currencies during a crisis might make them fail for currency hedging purposes.

With the high mortality rate during the pandemic, several governments across the world resorted to restricting the movement of people in a bid to reduce the transmissibility of the COVID-19 virus. African countries were also involved in deploying these restrictive measures. The evidence provided by Muazu Ibrahim and Allan Mukungu, who looked at 49 African countries, confirmed that higher restrictive measures in most African countries were associated with a lower number of deaths, thus, demonstrating the general effectiveness of the restrictive measures.

In a similar trend to other global economies, the Ghanaian macroeconomic environment took a nosedive due to the negative impact of the pandemic shock. This next article by Eric Amoo Bondzie, William Godfred Cantah, Emmanuel Wiafe Agyapong and Ferdinand Ahiakpor estimated the effect of the shocks on some major macroeconomic variables. The results from the model showed that GDP is expected to remain weak at 0.95 percent, leading to a rise in both the debt to GDP ratio and negative fiscal balance rate. The model also confirmed that employment is expected to decline by 6.3 percent, all by the end of 2020. These pieces of evidence raise the need for the Government to provide various incentives that would spur aggregate demand and supply.

The fourth and fifth articles both focused on reviewing the impacts of the COVID-19 on the African sovereign bonds in the Eurobonds Market and also on the liquidity of the Johannesburg Stock Exchange (JSE) Market, respectively. Misheck Mutize showed that the issuance of Eurobond by African countries would rise significantly as most countries raise debts to provide fiscal stimulus package and social safety nets for the vulnerable, while Damien Kunjal showed that there is an inverse relationship between the rise in the number of COVID-19 confirmed cases and changes in the liquidity companies of companies on the JSE.

One of the biggest challenges during the pandemic was the need for policymakers to create models that could accurately forecast the number of COVID cases and death rates. These forecasts were particularly important as they helped provide policymakers and health managers with guidance and reasonable preparation time to assess the effectiveness of the several different preventive measures taken during the pandemic. Using a time series model, Jamal Mohammed, Abdullah Mohammed Ghazi al-Khatib, Pradeep Mishra, Prince Adjei, Pankaj Kumar Singh, S. R Krishan Priya and S. S. Das showed that the forecasted number of daily new cases of COVID-19 in Ghana decreased during the period 1-10-2020 to 10-10-2020. They concluded by encouraging policymakers to implement social distancing and other COVID-19 prevention protocols in reducing the number of new cases and deaths.

There is a general understanding that financial markets are an important part of modern economies. Financial markets are vital as they aid in raising capital, optimal distribution of the capital to productive means, and managing risks. The last two articles, i.e., the seventh and eighth, focused on assessing the market impact of the pandemic on the volatility of various financial markets and investors behaviour. In the seventh article, Khalil Nait Bouzid and Ulrich Ekouala Makala investigated the impact of the COVID-19 related cases and deaths of eleven selected countries affected by the COVID-19 on the volatility of their stock exchanges. They found that the changes in the number of cases and deaths related to COVID-19 impacted the volatility of stock exchange markets.

The last article by Damien Kunjal and Faeezah Peerbhai investigated the investors' herd behaviour, which intensifies market volatility during crisis periods in the South African Exchange Traded Fund market. The findings emanating from this study showed that there was no investor herd behaviour present in the market. Thus, confirming Exchange Traded Fund (ETF) traders in the market make rational, informed trading decisions, which is one of the major assumptions of an efficient market hypothesis.

Undoubtedly, each one of these articles have critical implications for policy as they all aim to provide rich insights to support policymakers in shaping decisions.